

**REPORT OF THE AUDIT OF THE  
WHITLEY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2004**

**ROSS & COMPANY, PLLC**  
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The Honorable Michael Patrick, Whitley County Judge/Executive  
Honorable Tom Rains, Whitley County Clerk  
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Whitley County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Michael Patrick, Whitley County Judge/Executive  
Honorable Tom Rains, Whitley County Clerk  
Members of the Whitley County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Whitley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company". The signature is written in black ink and is positioned above the printed name of the firm.

Ross & Company, PLLC

Audit fieldwork completed -  
April 27, 2005

WHITLEY COUNTY  
TOM RAINS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services \$ 15,916

Fiscal Court 55,232

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 839,023

Usage Tax 1,897,167

Tangible Personal Property Tax 1,992,127

Licenses-

Fish and Game 4,447

Marriage 15,801

Bank Franchise Tax 81,448

Deed Transfer Tax 56,401

Delinquent Tax 321,146 5,207,560

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts 19,428

Real Estate Mortgages 21,300

Chattel Mortgages and Financing Statements 118,230

Powers of Attorney 2,712

All Other Recordings 36,995

Charges for Other Services-

Copywork 57,686 256,351

Other:

Williamsburg Independent school District-

Commission On Ad Valorem Tax 2,749

Interest Earned 755

Total Receipts \$ 5,538,563

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY  
TOM RAINS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2004  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 640,636	
Usage Tax	1,840,185	
Tangible Personal Property Tax	798,980	
Licenses, Taxes, and Fees-		
Fish and Game	4,221	
Delinquent Tax	58,386	
Legal Process Tax	<u>32,676</u>	\$ 3,375,084

Payments to Fiscal Court:

Tangible Personal Property Tax	142,133	
Delinquent Tax	40,061	
Deed Transfer Tax	53,586	
Bank Franchise Tax	<u>81,448</u>	317,228

Payments to Other Districts:

Tangible Personal Property Tax	974,079	
Delinquent Tax	<u>143,152</u>	1,117,231

Payments to Sheriff 5,235

Payments to County Attorney 43,960

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	273,549	
Part-Time Salaries	<u>1,275</u>	274,824

Employee Benefits-

Employer's Share Retirement	26,428	
Employer's Paid Health Insurance	<u>46,230</u>	72,658

The accompanying notes are an integral part of this financial statement.



WHITLEY COUNTY  
TOM RAINS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2004  
(Continued)

Expenditures (Continued)

Contracted Services-		
Preparing Tax Bills	\$ 6,532	
Advertising	794	
Printing and Binding	<u>15</u>	\$ 7,341
Materials and Supplies-		
Office Supplies		16,408
Other Charges-		
Conventions and Travel	5,421	
Dues	1,075	
Postage	9,792	
Branch Office Rent	12,000	
Insurance Bond	6,466	
Election Expense	46,697	
Board of Elections	1,200	
Training Expense	2,521	
Returned Checks	<u>461</u>	85,633
Capital Outlay-		
Office Equipment		<u>32,534</u>
Total Expenditures		<u>\$ 5,348,136</u>
Net Receipts		190,427
Less: Statutory Maximum		<u>74,232</u>
Excess Fees		116,195
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>3,093</u>	<u>6,693</u>
Excess Fees Due County for 2004		109,502
Payments to Fiscal Court - January 19, 2005	105,000	
Payments to Fiscal Court - April 27, 2005	<u>4,502</u>	<u>109,502</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

WHITLEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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The Honorable Michael Patrick, Whitley County Judge/Executive  
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Members of the Whitley County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Whitley County Clerk for the year ended December 31, 2004, and have issued our report thereon dated April 27, 2005. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Whitley County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company". The signature is written in black ink and is positioned above the printed name of the firm.

Ross & Company, PLLC

Audit fieldwork completed -  
April 27, 2005